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HB 52 Higher Education Savings Incentive Program Amendments

Utah Code 53B-8a-108, 53B-8a-109, 59-7-105, 59-7-106, 59-10-114; Administrative Rule R865-91-49 **Effective Date May 6, 2002**

This bill provides that the state deduction for amounts placed into the Higher Education Savings Incentive Program applies only for amounts that were included in federal taxable income. Beneficiaries and participants only get the deduction if the funds are in the their Federal Adjusted Gross Income (FAGI). If it is deducted on the federal return, it cannot be deducted on the Utah return. The participant does not have to wait until the funds are actually used in order to take the deduction.

In the event the participation agreement is terminated prior to payment of higher education costs for the beneficiary, the participant is entitled to a full refund of all payments made under the participation agreement up to the current account balance and all investment income credited on all the payments less a reasonable administrative fee which may be levied by the trust and any penalty or tax required to be withheld by the Internal Revenue Code.

In computing adjusted income, the amount refunded to a participant or beneficiary under Title 53B, Chapter 8a, Higher Education Savings Incentive Program, to the extent deducted on a Utah return in previous years and not used for qualified higher education costs of the beneficiary, in the year in which the amount is refunded, shall be added to the unadjusted income.

In computing adjusted income, any amount included in unadjusted income that was derived from money paid by the taxpayer to the program fund and investment income earned on those payments under Title 53B, Chapter 8a, that is included in federal taxable income, but only when the monies are used for qualified higher education costs of the beneficiary, shall be subtracted from unadjusted income.

HB 91 Mineral Production Tax Withholding Amendments

Utah Code 59-6-102 **Effective Date July 1, 2002**

Provides that 501(c)(3) organizations exempt from corporate franchise or income taxes are also exempt from mineral production tax withholding.

The obligation to deduct and withhold from payments an amount equal to 5% of the amount which would have otherwise been payable to the person entitled to the payment, does not apply to those payments which are payable to:

1. The United States, this state, or any agency or political subdivision of either one; or
2. An organization that is exempt from the taxes imposed by Chapter 7, Corporate Franchise and Income Taxes.

HB 185 Reauthorization of Individual Income Tax Credit - Tutoring Disabled Dependents

Utah Code 59-10-130 **Effective Date May 6, 2002**

Re-authorizes the tutoring tax credit for disabled dependents for an additional seven (7) years.

SB 28 Tax Credits - Removal of Tax Credit From Tax Form and Prohibition on Claiming or Carrying Forward Tax Credit

Utah Code 59-7-615, 59-10-135 **Effective Date January 1, 2002**

Requires the Tax Commission to remove income and corporate tax credits from the tax return if the total credit is less than \$10,000 per year and less than 10 persons claim the credit for three (3) consecutive years. Persons filing returns cannot claim or carry forward a credit that has been removed. It requires the Tax Commission to report to the Revenue and Taxation Interim committee and each state agency that assists in the administration of the tax credit for each credit that satisfies the conditions for removal.

1. "Tax credit" means a nonrefundable tax credit listed on a tax return.
2. "Tax return" means an income tax return, a corporate return as defined in Section 59-7-101, or a tax return filed in accordance with Chapter 8, Gross Receipts Tax on Certain Corporations Not Required to pay Corporate Franchise or Income Tax Act.

